



Lesedi Local Municipality
(Demarcation code GT423)
Annual financial statements
for the year ended 30 June 2014

Lesedi Local Municipality

(Demarcation code: GT423)

Annual Financial Statements for the year ended 30 June 2014

General Information

Nature of business and principal activities	Local municipal functions as set out in the Constitution of South Africa. (Act no 105 of 1996)
Municipal Manager	A Makhanya
Chief Finance Officer (CFO)	Success Marota
Registered office	Civic Centre C/o HF Verwoerd and Louw Street Heidelberg 1441
Business address	Civic Centre C/o HF Verwoerd and Louw Street Heidelberg 1441
Postal address	PO Box 201 Heidelberg 1438
Bankers	ABSA Bank Bruma Gauteng
Auditors	Auditor General of South Africa

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 51, which have been prepared on the going concern basis, were approved by the on 31 August 2014 and were signed on its behalf by:

A Makhanya
Municipal Manager

Heidelberg
31 August 2014

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Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2014.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet x times per annum as per its approved terms of reference. During the current year 5 number of meetings were held.

Name of member	Number of meetings attended
Adv MM Mochatsi	5
Mr MG Dhladhla	5
Mr S Mofokeng	5
Mr JM Lekhala	5
Mr F Makaula	5

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the unaudited annual financial statements to be included in the annual report, with the Auditor-General and the ;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: _____

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Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated*
Assets			
Current Assets			
Inventories	9	3,759,241	3,977,176
Receivables from exchange transactions	10	15,506,519	15,371,680
Receivables from non-exchange transactions	11	1,285,102	2,227,322
Consumer debtors	12	66,442,353	42,707,265
Cash and cash equivalents	13	8,247,932	14,431,901
		95,241,147	78,715,344
Non-Current Assets			
Investment property	3	267,248,901	276,360,237
Property, plant and equipment	4	523,541,020	511,889,304
Intangible assets	5	4,010,649	3,151,886
Heritage assets	6	157,193	157,193
		794,957,763	791,558,620
Total Assets		890,198,910	870,273,964
Liabilities			
Current Liabilities			
Other financial liabilities	14	2,823,298	2,596,150
Payables from exchange transactions	17	76,961,963	72,294,542
VAT payable	18	12,151,193	6,632,188
Consumer deposits	20	7,733,370	7,452,052
Unspent conditional grants and receipts	15	2,945,845	11,573,700
Provisions	16	8,451,847	9,443,189
		111,067,516	109,991,821
Non-Current Liabilities			
Other financial liabilities	14	65,007,301	67,880,561
Provisions	16	4,541,518	2,512,344
		69,548,819	70,392,905
Total Liabilities		180,616,335	180,384,726
Net Assets		709,582,575	689,889,238
Net Assets			
Accumulated surplus		709,582,575	689,889,238

* See Note 44

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Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	309,509,736	296,967,147
Rental of facilities and equipment	37	3,800,733	3,014,986
Licences and permits		57,936	44,039
Recoveries		1,609,023	975,765
Interest received - investment	31	8,909,656	5,720,299
Total revenue from exchange transactions		323,887,084	306,722,236
Revenue from non-exchange transactions			
Property rates	22	62,277,506	58,416,764
Government grants & subsidies	24	112,664,218	93,509,328
Fines		380,873	168,107
Total revenue from non-exchange transactions		175,322,597	152,094,199
Total revenue		499,209,681	458,816,435
Expenditure			
Personnel	28	(100,253,358)	(92,694,188)
Remuneration of councillors	29	(7,839,778)	(7,344,755)
Depreciation and amortisation	32	(32,572,632)	(35,982,009)
Impairment loss/ Reversal of impairments	33	(833,792)	(109,607)
Finance costs	34	(6,922,567)	(6,982,598)
Debt impairment	30	(46,350,348)	(81,963,434)
Audit Fees		(3,669,110)	(3,144,273)
Repairs and maintenance		(15,422,982)	(20,992,106)
Bulk purchases	39	(201,319,239)	(189,132,290)
Contracted services	38	(496,750)	(681,919)
General Expenses	26	(64,956,648)	(48,772,330)
Total expenditure		(480,637,204)	(487,799,509)
Operating surplus (deficit)	27	18,572,477	(28,983,074)
Gain (loss) on disposal of assets and liabilities		1,120,859	(201,609)
Surplus (deficit) for the year		19,693,336	(29,184,683)

* See Note 44

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	863,482,472	863,482,472
Adjustments		
Correction of errors	(1,241,696)	(1,241,696)
Balance at 01 July 2012 as restated*	862,240,776	862,240,776
Changes in net assets		
• Correction of Errors	(143,115,758)	(143,115,758)
Net income (losses) recognised directly in net assets	(143,115,758)	(143,115,758)
Surplus for the year	(29,235,780)	(29,235,780)
Total recognised income and expenses for the year	(172,351,538)	(172,351,538)
Total changes	(172,351,538)	(172,351,538)
Restated* Balance at 01 July 2013	689,889,239	689,889,239
Changes in net assets		
Surplus for the year	19,693,336	19,693,336
Total changes	19,693,336	19,693,336
Balance at 30 June 2014	709,582,575	709,582,575

Note(s)

* See Note 44

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Cash Flow Statement

Figures in Rand	Note(s)	2014	2013 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		334,304,562	350,304,052
Grants		111,364,564	101,053,278
Interest income		8,909,656	5,720,299
		454,578,782	457,077,629
Payments			
Employee costs		(100,253,358)	(98,868,693)
Suppliers		(206,433,024)	(300,356,539)
Finance costs		(6,922,567)	(6,982,598)
		(422,431,934)	(406,207,830)
Net cash flows from operating activities	40	32,146,848	50,869,799
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(35,524,116)	(36,506,873)
Proceeds from sale of property, plant and equipment	4	1,469,073	(200,288)
Purchase of other intangible assets	5	(1,629,663)	(12,630)
Proceeds from sale of other intangible assets	5	-	202,383
Net cash flows from investing activities		(35,684,706)	(36,517,408)
Cash flows from financing activities			
Repayment of other financial liabilities		(2,646,112)	(6,512,097)
Net cash flows from financing activities		(2,646,112)	(6,512,097)
Net increase/(decrease) in cash and cash equivalents		(6,183,970)	7,840,294
Cash and cash equivalents at the beginning of the year		14,431,901	6,591,603
Cash and cash equivalents at the end of the year	13	8,247,931	14,431,897

* See Note 44

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual	
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	343,712,778	13,571,488	357,284,266	309,509,736	(47,774,530)	Note 52
Rental of facilities and equipment	9,641,721	(4,009,051)	5,632,670	3,800,733	(1,831,937)	Note 53
Licences and permits	62,699	27,960	90,659	57,936	(32,723)	Note 53
Recoveries	2,160,590	(2,001,472)	159,118	1,609,023	1,449,905	Note 53
Interest received - investment	4,637,522	(877,173)	3,760,349	8,909,656	5,149,307	Note 53
Total revenue from exchange transactions	360,215,310	6,711,752	366,927,062	323,887,084	(43,039,978)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	64,800,685	(2,497,814)	62,302,871	62,277,506	(25,365)	Note 53
Government grants & subsidies	125,797,755	2,552,562	128,350,317	112,664,218	(15,686,099)	Note 53
Transfer revenue						
Fines	500,000	(398)	499,602	380,873	(118,729)	Note 53
Total revenue from non-exchange transactions	191,098,440	54,350	191,152,790	175,322,597	(15,830,193)	
Expenditure						
Employee Cost	(114,179,450)	5,034,171	(109,145,279)	(100,253,358)	8,891,921	Note 53
Remuneration of councillors	(8,140,022)	107,962	(8,032,060)	(7,839,778)	192,282	Note 53
Depreciation and amortisation	(35,498,763)	(483,246)	(35,982,009)	(32,572,632)	3,409,377	Note 53
Impairment loss/ Reversal of impairments	-	-	-	(833,792)	(833,792)	Note 53
Finance costs	(6,373,148)	-	(6,373,148)	(6,922,567)	(549,419)	Note 53
Debt impairment	(52,786,694)	(8,705,168)	(61,491,862)	(46,350,348)	15,141,514	Note 53
Collection costs	(900,000)	150,000	(750,000)	(3,669,110)	(2,919,110)	Note 53
Repairs and maintenance	(37,034,554)	21,302,400	(15,732,154)	(15,422,982)	309,172	Note 53
Bulk purchases	(187,445,157)	(11,827,932)	(199,273,089)	(201,319,239)	(2,046,150)	Note 53
Contracted Services	(683,680)	105,000	(578,680)	(496,750)	81,930	Note 53
General Expenses	(45,993,628)	(10,720,097)	(56,713,725)	(64,956,648)	(8,242,923)	Note 53
Total expenditure	(489,035,096)	(5,036,910)	(494,072,006)	(480,637,204)	13,434,802	
Operating surplus	62,278,654	1,729,192	64,007,846	18,572,477	(45,435,369)	
Gain on disposal of assets and liabilities	-	-	-	1,120,859	1,120,859	Note 53
Surplus before taxation	62,278,654	1,729,192	64,007,846	19,693,336	(44,314,510)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	62,278,654	1,729,192	64,007,846	19,693,336	(44,314,510)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual	
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	4,381,871	(404,695)	3,977,176	3,759,241	(217,935)	Note 53
Receivables from exchange transactions	10,832,646	(9,798,120)	1,034,526	15,506,519	14,471,993	Note 53
Receivables from non-exchange transactions	-	-	-	1,285,102	1,285,102	Note 53
Consumer debtors	90,987,550	(59,447,742)	31,539,808	66,442,353	34,902,545	Note 53
Cash and cash equivalents	15,429,269	(12,168,206)	3,261,063	8,247,932	4,986,869	Note 53
	121,631,336	(81,818,763)	39,812,573	95,241,147	55,428,574	
Non-Current Assets						
Investment property	414,293,369	6,208,291	420,501,660	267,248,901	(153,252,759)	Note 53
Property, plant and equipment	552,971,915	(398,054)	552,573,861	523,541,020	(29,032,841)	Note 53
Intangible assets	-	2,173,106	2,173,106	4,010,649	1,837,543	Note 53
Heritage assets	-	-	-	157,193	157,193	Note 53
	967,265,284	7,983,343	975,248,627	794,957,763	(180,290,864)	
Total Assets	1,088,896,620	(73,835,420)	1,015,061,200	890,198,910	(124,862,290)	
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	-	2,823,298	2,823,298	Note 53
Payables from exchange transactions	63,528,974	(24,752,969)	38,776,005	76,961,961	38,185,956	Note 53
VAT payable	-	-	-	12,151,193	12,151,193	Note 53
Consumer deposits	7,389,791	62,261	7,452,052	7,733,370	281,318	Note 53
Unspent conditional grants and receipts	-	-	-	2,945,845	2,945,845	Note 53
Provisions	9,501,424	(58,235)	9,443,189	8,451,847	(991,342)	Note 53
	80,420,189	(24,748,943)	55,671,246	111,067,514	55,396,268	
Non-Current Liabilities						
Other financial liabilities	67,877,824	2,737	67,880,561	65,007,301	(2,873,260)	Note 53
Provisions	2,234,396	(282,788)	1,951,608	4,541,518	2,589,910	Note 53
	70,112,220	(280,051)	69,832,169	69,548,819	(283,350)	
Total Liabilities	150,532,409	(25,028,994)	125,503,415	180,616,333	55,112,918	
Net Assets	938,364,211	(48,806,426)	889,557,785	709,582,577	(179,975,208)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	-	-	-	709,582,578	709,582,578	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual
Figures in Rand					
Cash Flow Statement					
Cash flows from operating activities					
Receipts					
Sale of goods and services	338,294,551	2,691,436	340,985,987	334,304,562	(6,681,425)
Grants	115,797,755	-	115,797,755	111,364,564	(4,433,191)
Interest income	4,023,840	(263,491)	3,760,349	8,909,656	5,149,307
	458,116,146	2,427,945	460,544,091	454,578,782	(5,965,309)
Payments					
Employee costs	(122,319,472)	-	(122,319,472)	(100,253,358)	22,066,114
Suppliers	(252,089,932)	(22,463,833)	(274,553,765)	(206,433,024)	68,120,741
Finance costs	(6,373,148)	-	(6,373,148)	(6,922,567)	(549,419)
	(380,782,552)	(22,463,833)	(403,246,385)	(313,608,949)	89,637,436
Net cash flows from operating activities	77,333,594	(20,035,888)	57,297,706	140,969,833	83,672,127
Cash flows from investing activities					
Purchase of property, plant and equipment	(62,493,391)	8,099,809	(54,393,582)	(35,524,116)	18,869,466
Proceeds from sale of property, plant and equipment	-	865,264	865,264	1,469,073	603,809
Purchase of other intangible assets	-	(2,035,000)	(2,035,000)	(1,629,663)	405,337
Net cash flows from investing activities	(62,493,391)	6,930,073	(55,563,318)	(142,093,744)	19,878,612
Cash flows from financing activities					
Repayment of other financial liabilities	(2,698,274)	-	-	(2,646,112)	(2,646,112)
Net increase/(decrease) in cash and cash equivalents	12,141,929	(13,105,815)	1,734,388	(6,183,970)	98,490,680
Cash and cash equivalents at the beginning of the year	3,287,029	-	3,287,029	14,431,901	11,144,872
Cash and cash equivalents at the end of the year	15,428,958	(13,105,815)	5,021,417	8,247,931	109,635,552

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Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1. Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. These judgements and sources of estimation uncertainty have been covered in the relative notes.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, and only when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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Accounting Policies

1.2 Investment property (continued)

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.
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Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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Accounting Policies

1.3 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Infrastructure	
• Roads and Paving	10-30 years
• Electricity	20-30 years
• Water	15-20 years
• Sewerage	15-20 years
• Landfill Site	4 years
Community	
• Buildings	30 years
• Recreational facilities	20-30 years
• Security	5 years
Other property, plant and equipment	
• Buildings	30 years
• Specialist Vehicles	20 years
• Other vehicles	5 years
• Furniture and Fittings	7 years
• Bins and Containers	5 years
• Office Equipment	3 - 7 years
• Library books	5 - 25 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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1.4 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years
Servitudes	indefinite

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.5 Heritage assets

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

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Accounting Policies

1.5 Heritage assets (continued)

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.6 Financial instruments

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Income for leases is disclosed under revenue in statement of financial performance.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

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Accounting Policies

1.8 Inventories (continued)

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

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Accounting Policies

1.10 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.11 Employee benefits

1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is:

- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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Accounting Policies

1.13 Revenue from exchange transactions (continued)

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

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Accounting Policies

1.13 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.14 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

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Accounting Policies

1.20 Budget information

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, there were no new standards and interpretations which became effective for the current financial year and that are relevant to its operations:

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	
• GRAP 107: Mergers	01 April 2014	
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014	
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	
• GRAP108: Statutory Receivables	01 April 2015	
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2015	

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Paragraphs .11 and .13 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Scope and Definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 12 (as revised 2012): Inventories

Paragraph .30 was amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases

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2. New standards and interpretations (continued)

Paragraphs .38 and .42 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 16 (as revised 2012): Investment Property

Paragraphs .12, .15, .34, .76, .84 and .87 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Measurement at recognition, Disposals and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Paragraphs .44, .45, .72, .75, .79 and .85 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition, Derecognition and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)

Paragraphs .07, .08, .19, .22, .23, .37, .38, .40, .45 and .46 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Recognition and measurement and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)

Numerous paragraphs were amended by the improvements to the Standards of GRAP issued previously:

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2. New standards and interpretations (continued)

Changes made comprise 3 areas that can be summarised as follows:

- Consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31,
- The deletion of guidance and examples from Interpretations issued by the IASB previously included in GRAP102,
- Changes to ensure consistency between the Standards, or to clarify existing principles.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

IGRAP16: Intangible assets website costs

An entity may incur internal expenditure on the development and operation of its own website for internal or external access. A website designed for external access may be used for various purposes such as to disseminate information, for example annual reports and budgets, create awareness of services, request comment on draft legislation, promote and advertise an entity's own services and products, for example the E-filing facility of SARS that enables taxpayers to complete their annual tax assessments, provide electronic services and list approved supplier details. A website designed for internal access may be used to store an entity's information, for example policies and operating procedures, and details of users of a service, and other relevant information.

The stages of a website's development can be described as follows:

- Planning – includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences.
- Application and infrastructure development – includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing.
- Graphical design development – includes designing the appearance of web pages.
- Content development – includes creating, purchasing, preparing and uploading information, either text or graphic, on the website before the completion of the website's development. This information may either be stored in separate databases that are integrated into (or accessed from) the website or coded directly into the web pages.

Once development of a website has been completed, the operating stage begins. During this stage, an entity maintains and enhances the applications, infrastructure, graphical design and content of the website.

When accounting for internal expenditure on the development and operation of an entity's own website for internal or external access, the issues are:

- whether the website is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets; and
- the appropriate accounting treatment of such expenditure.

This Interpretation of Standards of GRAP does not apply to expenditure on purchasing, developing, and operating hardware (eg web servers, staging servers, production servers and internet connections) of a website. Such expenditure is accounted for under the Standard of GRAP on Property, Plant and Equipment. Additionally, when an entity incurs expenditure on an internet service provider hosting the entity's website, the expenditure is recognised as an expense under the paragraph .93 in the Standard of GRAP on Presentation of Financial Statements and the Framework for the Preparation and Presentation of Financial Statements when the services are received.

The Standard of GRAP on Intangible Assets does not apply to intangible assets held by an entity for sale in the ordinary course of operations (see the Standards of GRAP on Construction Contracts and Inventories) or leases that fall within the scope of the Standard of GRAP on Leases. Accordingly, this Interpretation of Standards of GRAP does not apply to expenditure on the development or operation of a website (or website software) for sale to another entity. When a website is leased under an operating lease, the lessor applies this Interpretation of Standards of GRAP. When a website is leased under a finance lease, the lessee applies this Interpretation of Standards of GRAP after initial recognition of the leased asset.

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2. New standards and interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

IGRAP1 (as revised 2012): Applying the probability test on initial recognition of revenue

Paragraphs .03, .04, .05, .06, .08 and .10, were amended and paragraph .02 was added in the Interpretation of the Standards of GRAP.

This Interpretation of the Standards of GRAP now addresses the manner in which an entity applies the probability test on initial recognition of both:

- (a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions and
- (b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

This Interpretation of the Standards of GRAP supersedes the Interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

The effective date of the is for years beginning on or after 01 April 2013.

The municipality has adopted the for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

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3. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	302,011,658	(34,762,757)	267,248,901	302,011,658	(25,651,421)	276,360,237

Reconciliation of investment property - 2014

	Opening balance	Depreciation	Total
Investment property	276,360,237	(9,111,336)	267,248,901

Reconciliation of investment property - 2013

	Opening balance	Transfers	Depreciation	Total
Investment property	425,115,439	(146,450,625)	(2,304,577)	276,360,237

4. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	172,054,751	-	172,054,751	172,054,752	-	172,054,752
Infrastructure	533,031,601	(283,230,192)	249,801,409	496,932,818	(268,769,132)	228,163,686
Community	54,927,589	(20,051,712)	34,875,877	53,944,352	(16,965,313)	36,979,039
Other property, plant and equipment	87,537,133	(63,323,295)	24,213,838	86,639,140	(58,985,364)	27,653,776
Capital work in progress	33,229,149	-	33,229,149	36,803,191	-	36,803,191
Library books	13,358,333	(5,476,895)	7,881,438	12,762,958	(4,223,473)	8,539,485
Work in progress - Library books	1,484,558	-	1,484,558	1,695,375	-	1,695,375
Total	895,623,114	(372,082,094)	523,541,020	860,832,586	(348,943,282)	511,889,304

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	172,054,752	-	-	-	-	-	172,054,752
Infrastructure	228,163,686	24,887,112	(1,664)	11,379,319	(13,793,252)	(833,792)	249,801,409
Community	36,979,039	1,512,300	(346,550)	-	(3,268,912)	-	34,875,877
Other property, plant and equipment	27,653,776	897,992	-	-	(4,337,930)	-	24,213,838
Capital work in progress	36,803,191	7,805,276	-	(11,379,319)	-	-	33,229,149
Library books	8,539,485	-	-	595,375	(1,253,422)	-	7,881,438
Work in progress - Library books	1,695,375	421,436	-	(595,375)	(36,878)	-	1,484,558
	511,889,304	35,524,116	(348,214)	-	(22,690,394)	(833,792)	523,541,020

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	170,741,399	-	-	1,313,353	-	172,054,752
Infrastructure	231,239,692	4,604,790	-	17,526,081	(25,206,877)	228,163,686
Community	37,123,132	1,292,368	-	190,613	(1,627,074)	36,979,039
Other property, plant and equipment	32,661,491	195,484	(1,321)	-	(5,201,878)	27,653,776
Capital work in progress	22,756,766	30,091,828	-	(16,045,403)	-	36,803,191
Library books	9,167,431	-	-	562,834	(1,190,780)	8,539,485
Work in progress - Library books	1,972,685	322,403	-	(562,834)	(36,879)	1,695,375
	505,662,596	36,506,873	(1,321)	2,984,644	(33,263,488)	511,889,304

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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5. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, and Servitudes	6,345,647	(2,334,998)	4,010,649	4,715,984	(1,564,098)	3,151,886

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, and Servitudes	3,151,886	1,629,663	(770,900)	4,010,649

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Computer software, other	1,114,558	12,630	(202,383)	2,620,036	(392,955)	3,151,886

6. Heritage assets

	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	157,193	-	157,193	157,193	-	157,193

Reconciliation of heritage assets 2014

	Opening balance	Total
Historical buildings	157,193	157,193

7. Other financial assets

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

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8. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2014

	Financial assets at amortised cost	Held at Fair Value	Total
Trade and other receivables	81,948,872	-	81,948,872
Other receivables from non-exchange transactions	1,285,102	-	1,285,102
Cash and cash equivalents	-	8,247,932	8,247,932
	83,233,974	8,247,932	91,481,906

2013

	Financial assets at amortised cost	Held at Fair Value	Total
Trade and other receivables	58,078,945	-	58,078,945
Other receivables from non-exchange transactions	2,227,322	-	2,227,322
Cash and cash equivalents	-	14,431,901	14,431,901
	60,306,267	14,431,901	74,738,168

9. Inventories

Consumable stores	3,582,895	3,817,787
Water	176,346	159,389
	3,759,241	3,977,176

10. Receivables from exchange transactions

Deposits	234,685	234,685
Sundry debtors	15,271,834	15,136,995
	15,506,519	15,371,680

11. Receivables from non-exchange transactions

Government grants and subsidies	1,285,102	2,227,322
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12. Consumer debtors

Gross balances

Rates	34,888,452	33,803,041
Electricity	79,792,369	63,160,930
Water	87,247,028	68,123,605
Sewerage	26,797,937	21,352,850
Refuse	46,835,379	38,505,294
VAT	31,647,452	25,237,508
Other	33,190,616	31,770,293
	340,399,233	281,953,521

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12. Consumer debtors (continued)		
Less: Allowance for impairment		
Rates	(25,778,271)	(22,604,839)
Electricity	(57,815,144)	(45,811,665)
Water	(75,086,898)	(63,246,388)
Sewerage	(22,947,273)	(19,277,040)
Refuse	(40,360,463)	(36,221,531)
VAT	(25,600,613)	(22,153,655)
Other	(26,368,218)	(29,931,138)
	(273,956,880)	(239,246,256)
Net balance		
Rates	9,110,181	11,198,202
Electricity	21,977,225	17,349,265
Water	12,160,130	4,877,217
Sewerage	3,850,664	2,075,810
Refuse	6,474,916	2,283,763
VAT	6,046,839	3,083,853
Other	6,822,398	1,839,155
	66,442,353	42,707,265
Rates		
Current (0 -30 days)	4,017,550	4,017,540
31 - 60 days	1,384,091	157,650
61 - 90 days	906,808	55,205
91 - 120 days	694,863	36,077
121 - 365 days	2,106,869	6,931,730
	9,110,181	11,198,202
Electricity		
Current (0 -30 days)	12,741,688	6,911,939
31 - 60 days	3,191,461	333,377
61 - 90 days	2,620,065	116,740
91 - 120 days	2,138,905	76,290
121 - 365 days	1,285,106	9,910,919
	21,977,225	17,349,265
Water		
Current (0 -30 days)	4,592,968	1,884,809
31 - 60 days	3,180,235	79,856
61 - 90 days	2,465,530	27,964
91 - 120 days	1,921,397	18,274
121 - 365 days	-	2,866,314
	12,160,130	4,877,217
Sewerage		
Current (0 -30 days)	137,048	608,915
31 - 60 days	840,772	24,222
61 - 90 days	763,137	8,482
91 - 120 days	654,961	5,543
121 - 365 days	1,454,746	1,428,648
	3,850,664	2,075,810

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12. Consumer debtors (continued)

Refuse

Current (0 -30 days)	1,757,535	704,972
31 - 60 days	1,273,923	27,133
61 - 90 days	1,174,873	9,501
91 - 120 days	1,015,718	6,209
121 - 365 days	1,252,867	1,535,948
	6,474,916	2,283,763

VAT

Current (0 -30 days)	2,788,704	1,930,300
31 - 60 days	1,119,919	92,927
61 - 90 days	915,382	24,327
91 - 120 days	807,427	15,645
121 - 365 days	415,407	1,020,654
	6,046,839	3,083,853

Other

Current (0 -30 days)	1,783,147	1,457,038
31 - 60 days	458,917	194,556
61 - 90 days	384,828	68,129
91 - 120 days	374,651	44,522
121 - 365 days	3,820,855	74,910
	6,822,398	1,839,155

Reconciliation of allowance for impairment

Balance at beginning of the year	(239,246,256)	(170,545,202)
Contributions to allowance	(46,350,348)	(78,181,088)
Debt impairment written off against allowance	11,639,724	9,480,034
	(273,956,880)	(239,246,256)

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13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2,335	2,335
Bank balances	2,940,114	1,999,519
Short-term deposits	5,108,339	12,430,047
Other cash and cash equivalents	197,144	-
	8,247,932	14,431,901

The municipality had the following bank accounts

Account number / description	Bank statement balances		
	30 June 2014	30 June 2013	30 June 2012
ABSA Bank - Main Cheque Account	2,940,114	1,999,519	6,589,268
ABSA BANK - Account Type - Cheque	197,144	-	-
Total	3,137,258	1,999,519	6,589,268

14. Other financial liabilities

At amortised cost

Development Bank of South Africa	67,830,599	70,476,711
The loan interest rates vary between 5.00% and 14.24%, and the half-yearly fixed instalment repayments vary between R5,491 and R1,377,105. The terms of the loans range between 10 and 20 years.		

Non-current liabilities

At amortised cost	65,007,301	67,880,561
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Current liabilities

At amortised cost	2,823,298	2,596,150
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15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Government grant (operating) 1 - Finance Management Grant	78,165	-
Government grant (operating) 3 - Expanded Public Works Program Integrated Grant	183,154	324,065
Government grant (operating) 6 - Provincial library grant	70,421	(79,237)
Government grant (operating) 8 - Provincial clinics	(271,304)	(1,601,377)
Government grant (operating) 9 - Provincial social development grant	-	250,000
Government grant (operating) 10 - Provincial alien plant eradication grant	1,000,000	442,122
Government grant (operating) 11 - District taxi ranks	(310,000)	-
Government grant (operating) 12 - District health	(703,798)	(546,707)
Government grant (operating) 17 - BKB grant	420,472	210,472
Government grant (capital) 1 - Municipal Infrastructure Grant	-	9,875,371
Government grant (capital) 2 - INEG	3,140	-
Government grant (capital) 6 - Provincial library grant	1,099,164	196,669
Government grant (capital) 11 - NLDTF/Lotto	91,329	275,000
Government grant (operating) - Moneys receivable (Grant 8,11 and 12 above)	1,285,102	2,227,322
	2,945,845	11,573,700

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15. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	11,573,700	2,302,136
Additions during the year	103,001,264	102,458,572
Income recognition during the year	(112,914,221)	(95,414,330)
Reversal of debtor for reconciliation	1,285,102	2,227,322
	2,945,845	11,573,700

Net grants for movement reconciliation

Receivables from non-exchange transactions	(1,285,102)	(2,227,322)
Unspent conditional grant rollovers	2,945,845	11,573,700
	1,660,743	9,346,378

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 24 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

16. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	2,512,344	-	-	2,029,174	4,541,518
Provision for 13th cheque	3,387,684	2,600,469	(3,387,684)	-	2,600,469
Provision for leave pay	6,055,505	307,056	(511,183)	-	5,851,378
	11,955,533	2,907,525	(3,898,867)	2,029,174	12,993,365

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	1,951,608	-	-	-	560,736	2,512,344
Provision for 13th cheque	3,393,776	-	-	(6,092)	-	3,387,684
Provision for leave pay	5,691,078	720,405	(355,978)	-	-	6,055,505
	11,036,462	720,405	(355,978)	(6,092)	560,736	11,955,533
Non-current liabilities					4,541,518	2,512,344
Current liabilities					8,451,847	9,443,189
					12,993,365	11,955,533

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17. Payables from exchange transactions		
Trade payables	54,460,389	52,446,514
Payments received in advanced	13,491,527	10,569,436
Retentions	6,445,374	6,277,075
Accrued bonus	2,006,936	672,994
Other payables	190,305	190,735
Unclaimed and confiscated deposits	-	2,137,788
Grants to be repaid	367,432	-
	76,961,963	72,294,542
18. VAT payable		
Tax refunds payables	12,151,193	6,632,188
19. Financial instruments disclosure		
20. Consumer deposits		
All services	7,733,370	7,452,052
21. Financial liabilities by category		
The accounting policies for financial instruments have been applied to the line items below:		
2014		
	Financial liabilities at amortised cost	Total
Other financial liabilities	67,590,599	67,590,599
Trade and other payables	78,063,604	78,063,604
Unspent conditional grants and receipts	2,945,845	2,945,845
Consumer deposits	7,733,370	7,733,370
VAT payable	12,151,193	12,151,193
	168,484,611	168,484,611
2013		
	Financial liabilities at amortised cost	Total
Other financial liabilities	70,476,711	70,476,711
Trade and other payables	69,366,306	69,366,306
Unspent conditional grants and receipts	11,573,700	11,573,700
Consumer deposits	7,452,052	7,452,052
VAT payable	6,632,188	6,632,188
	165,500,957	165,500,957

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22. Property rates		
Rates received		
Municipal rates levied	82,306,218	76,943,311
Less: Income forgone	(20,028,712)	(18,526,547)
	62,277,506	58,416,764

Valuations

Residential	4,855,546,001	4,889,436,000
Commercial	1,045,891,000	1,096,844,000
State	598,408,003	627,968,000
Municipal	404,902,000	552,213,000
Small holdings and farms	1,514,904,000	1,523,164,000
	8,419,651,004	8,689,625,000

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2010. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2014.

23. Service charges

Sale of electricity	162,493,966	196,589,587
Sale of water	64,336,265	59,001,262
Sewerage and sanitation charges	18,553,053	16,487,127
Refuse removal	23,069,549	22,116,608
Other service charges	41,056,903	2,772,563
	309,509,736	296,967,147

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24. Government grants and subsidies		
Operating grants		
Equitable share	64,253,000	59,701,000
Government grant (operating) 1 - Finance Management Grant	1,221,835	1,250,000
Government grant (operating) 2 - Municipal Systems Improvement Grant	890,000	999,999
Government grant (operating) 3 - Expanded Public Works Program Integrated Grant	1,140,911	675,933
Government grant (operating) 4 - Water grant	-	148,651
Government grant (operating) 6 - Provincial library grant	2,335,884	2,684,119
Government grant (operating) 8 - Provincial clinics	1,434,682	1,936,825
Government grant (operating) 10 - Provincial alien plant eradication grant	1,742,122	1,172,399
Government grant (operating) 11 - District taxi ranks	310,000	314,944
Government grant (operating) 12 - District Health	3,030,951	3,264,345
Government grant (operating) 13 - District HIV/Aids grant	250,000	500,000
Government grant (operating) 16 - Cogta	2,300,000	-
Government grant (operating) 17 - BKB grant	-	199,528
Government grant (operating) 18 - Seta	154,359	345,023
	79,063,744	73,192,766
Capital grants		
Government grant (capital) 1 - Municipal Infrastructure Grant	25,875,372	19,045,068
Government grant (capital) 2 - Integrated National Electrification Grant	5,996,860	-
Government grant (capital) 6 - Provincial library grant	544,571	1,271,494
Government grant (capital) 11 - NLDTF/Lotto	183,671	-
Government grant (capital) 16 - Cogta	1,000,000	-
	33,600,474	20,316,562
	112,664,218	93,509,328
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	112,664,218	93,509,328
Unconditional grants received	-	-
	112,664,218	93,509,328
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents receive a monthly subsidy of R 350 (2013: R 296-), which is funded from the grant.		
Government grant (operating) 1 - Finance Management Grant		
Balance unspent at beginning of year	-	-
Current-year receipts	1,300,000	1,250,000
Conditions met - transferred to revenue	(1,221,835)	(1,250,000)
	78,165	-
Government grant (operating) 2 - Municipal Systems Improvement Grant		
Balance unspent at beginning of year	-	-
Current-year receipts	890,000	1,000,000
Conditions met - transferred to revenue	(890,000)	(1,000,000)
	-	-

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24. Government grants and subsidies (continued)

Government grant (operating) 3 - Expanded Public Works Program Integrated Grant

Balance unspent at beginning of year	324,065	-
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,140,911)	(675,935)
	183,154	324,065

Government grant (operating) 4 - Water grant

Current-year receipts	-	148,651
Conditions met - transferred to revenue	-	(148,651)
	-	-

Government grant (operating) 6 - Provincial library grant

Balance unspent at beginning of year	(79,237)	294,882
Current-year receipts	2,485,542	2,310,000
Conditions met - transferred to revenue	(2,335,884)	(2,684,119)
	70,421	(79,237)

Government grant (operating) 8 - Provincial clinics

Balance unspent at beginning of year	(1,601,377)	(1,255,880)
Current-year receipts	2,764,755	1,591,329
Conditions met - transferred to revenue	(1,434,682)	(1,936,826)
	(271,304)	(1,601,377)

Government grant (operating) 9 - Provincial social development grant

Balance unspent at beginning of year	250,000	-
Current-year receipts	(250,000)	250,000
Conditions met - transferred to revenue	-	-
	-	250,000

Government grant (operating) 10 - Provincial alien plant eradication grant

Balance unspent at beginning of year	442,122	31,479
Current-year receipts	1,300,000	1,646,000
Conditions met - transferred to revenue	(1,742,122)	(1,172,399)
	-	442,122

Government grant (operating) 11 - District taxi ranks

Balance unspent at beginning of year	-	(403,003)
Current-year receipts	-	717,947
Conditions met - transferred to revenue	(310,000)	(314,944)
	(310,000)	-

Government grant (operating) 12 - District Health

Balance unspent at beginning of year	(546,707)	(559,659)
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24. Government grants and subsidies (continued)		
Current-year receipts	2,873,860	3,277,297
Conditions met - transferred to revenue	(3,030,951)	(3,264,345)
	(703,798)	(546,707)
Government grant (operating) 13 - District HIV/Aids grant		
Balance unspent at beginning of year	-	-
Current-year receipts	250,000	500,000
Conditions met - transferred to revenue	(250,000)	(500,000)
	-	-
Government grant (operating) 17 - BKB grant		
Balance unspent at beginning of year	210,472	-
Current-year receipts	210,000	410,000
Conditions met - transferred to revenue	-	(199,528)
	420,472	210,472
Government grant (operating) 18 - Seta		
Balance unspent at beginning of year	-	-
Current-year receipts	154,359	345,023
Conditions met - transferred to revenue	(154,359)	(345,023)
	-	-
Government grant (operating) 16 - COGTA		
Balance unspent at beginning of year	-	-
Current-year receipts	2,300,000	-
Conditions met - transferred to revenue	(2,300,000)	-
	-	-
Government grant (capital) 1 - Municipal Infrastructure Grant		
Balance unspent at beginning of year	9,875,371	850,440
Current-year receipts	16,000,000	28,070,000
Conditions met - transferred to revenue	(25,875,371)	(19,045,069)
	-	9,875,371
Government grant (capital) 2 - Integrated National Electrification Grant		
Balance unspent at beginning of year	-	-
Current-year receipts	6,000,000	-
Conditions met - transferred to revenue	(5,996,860)	-
	3,140	-
Government grant (capital) 6 - Provincial library grant		
Balance unspent at beginning of year	196,669	1,008,163
Current-year receipts	1,447,066	460,000
Conditions met - transferred to revenue	(544,571)	(1,271,494)
	1,099,164	196,669

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Figures in Rand	2014	2013
24. Government grants and subsidies (continued)		
Government grant (capital) 16 - COGTA		
Current-year receipts	1,000,000	-
Conditions met - transferred to revenue	(1,000,000)	-
	-	-
Government grant (capital) 11 - NLDTF/Lotto		
Balance unspent at beginning of year	275,000	-
Current-year receipts	-	275,000
Conditions met - transferred to revenue	(183,671)	-
	91,329	275,000

Conditions still to be met - remain liabilities (see note 15).

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No.2 of 2013), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

25. Other revenue

Insurance recoveries	1,609,023	975,765
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26. General expenses		
Advertising	325,032	463,528
Collection cost	367,879	721,309
Bank charges	614,648	253,674
Cleaning	-	860
Consulting and professional fees	11,504,800	6,359,916
Consumables	834,224	609,393
Debt collection	5,076,639	1,042,737
Donations	595	-
Entertainment	228,059	244,621
Fines and penalties	83,843	2,050
Hire	544,889	464,601
Insurance	1,557,186	1,064,414
Community development and training	122,048	45,667
IT expenses	1,264,849	677,069
Fleet	8,030,142	8,616,261
Promotions and sponsorships	30,285	30,856
Magazines, books and periodicals	146,818	62,813
Medical expenses	-	1,993
Pest control	46,625	62,472
Postage and courier	533,447	448,755
Printing and stationery	723,771	892,170
Promotions	-	1,050
Protective clothing	385,204	611,214
Security (Guarding of municipal property)	6,017,024	4,888,287
Software expenses	31,418	35,183
Staff welfare	356,924	1,400
Subscriptions and membership fees	1,035,382	850,398
Telephone and fax	1,371,713	952,552
Training	4,431,921	2,226,214
Travel - local	512,945	528,823
Refuse	3,990,650	4,154,493
Assets expensed	732,711	229,495
Billing and meter reading charges	1,295,975	1,199,617
Laboratory charges	2,700	-
Grant related expenditure	2,844,117	3,052,836
Connection fees	-	658,102
Indigents	3,917,915	3,777,675
Valuation costs	2,065,642	662,718
Pensioners: Medical aid cost	1,254,217	1,175,826
Other expenses	2,674,411	1,701,288
	64,956,648	48,772,330

27. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

Gain (loss) on sale of property, plant and equipment	1,120,859	(201,609)
Impairment on property, plant and equipment	833,792	109,607
Amortisation on intangible assets	770,900	392,955
Depreciation on property, plant and equipment	22,690,396	33,335,575
Depreciation on investment property	9,111,336	2,304,576
Employee costs	108,093,136	100,038,943

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28. Employee related costs		
Basic	63,703,507	55,640,307
Medical aid - company contributions	5,182,422	4,832,169
UIF	606,567	578,294
WCA	1,259,862	532,693
SDL	745,147	693,612
Other payroll levies	35,160	33,535
Leave pay provision charge	307,056	720,406
Pension costs	11,721,819	10,965,293
Leave pay	1,862,170	981,928
Group insurance	828,080	798,323
Overtime payments	4,786,497	4,217,565
13th Cheques	4,912,816	4,257,661
Acting allowances	249,661	653,290
Car allowance	2,636,539	1,794,794
Housing benefits and allowances	292,578	360,748
Cellphone allowance	63,428	68,906
Entertainment allowance	840	840
Standby	1,057,889	990,024
Cleaning allowance	240	240
Tool allowance	1,080	1,080
	100,253,358	88,121,708
Remuneration of municipal manager		
Annual Remuneration	1,130,122	925,488
Car Allowance	254,619	214,776
Contributions to UIF, Medical and Pension Funds	1,785	1,636
	1,386,526	1,141,900
Remuneration of chief finance officer		
Annual Remuneration	829,790	528,990
Car Allowance	89,333	120,362
Performance Bonuses	-	43,909
Contributions to UIF, Medical and Pension Funds	1,636	1,267
	920,759	694,528
Management support services		
Annual Remuneration	925,041	-
Car Allowance	1,785	-
	926,826	-
Community services		
Annual Remuneration	674,976	517,150
Car Allowance	230,718	154,470
Performance Bonuses	-	44,032
Contributions to UIF, Medical and Pension Funds	21,135	134,155
Other	-	61,717
	926,829	911,524
Service delivery		

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28. Employee related costs (continued)		
Annual Remuneration	486,458	478,909
Car Allowance	223,424	230,652
Performance Bonuses	-	46,211
Contributions to UIF, Medical and Pension Funds	119,215	157,931
	829,097	913,703
Development planning and housing		
Annual Remuneration	280,629	548,898
Car Allowance	75,636	120,047
Performance Bonuses	3,549	43,333
Contributions to UIF, Medical and Pension Funds	-	154,946
Other	85,003	43,601
	444,817	910,825
29. Remuneration of councillors		
Executive Major	709,754	685,377
Speaker	563,129	537,349
Councillors	6,566,895	6,122,029
	7,839,778	7,344,755
In-kind benefits		
The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor has the use of a Council owned vehicle with two driver bodyguards for official duties. The Executive Mayor is assisted by a manager, Gender Officer and an administrative assistant. The speaker is assisted by a manager and a secretary.		
30. Debt impairment		
Contributions to debt impairment provision	46,350,348	78,181,089
Debts impaired	-	3,782,345
	46,350,348	81,963,434
31. Investment revenue		
Interest revenue		
Interest charged on trade and other receivables	7,474,335	4,656,665
Interest earned - external investments	1,435,321	1,063,634
	8,909,656	5,720,299
32. Depreciation and amortisation		
Property, plant and equipment	22,690,396	33,284,478
Investment property	9,111,336	2,304,576
Intangible assets	770,900	392,955
	32,572,632	35,982,009

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Figures in Rand	2014	2013
33. Impairment of assets		
Impairments		
Property, plant and equipment	833,792	109,607
The main classes of assets affected by impairment losses are:		
Infrasructure	2013/14 833,792	2012/13
Library books	109,607	
34. Finance costs		
Non-current borrowings	6,922,567	6,783,667
Other interest paid	-	198,931
	6,922,567	6,982,598
35. Taxation		
The municipality is exempt from income tax in terms of the Income Tax Act (Act No. 58 of 1962) Section 10(1)(a)		
36. Auditors' remuneration		
Fees	367,879	721,309
37. Rental of facilities and equipment		
Premises	1,077,850	1,155,440
Facilities and equipment		
Rental of facilities	2,694,807	1,859,546
Rental of equipment	28,076	-
	2,722,883	1,859,546
	3,800,733	3,014,986
38. Contracted services		
Other Contractors	496,750	681,919
39. Bulk purchases		
Electricity	157,040,838	151,032,071
Water	36,236,766	31,741,824
Sewer purification	8,041,635	6,358,395
	201,319,239	189,132,290

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Figures in Rand	2014	2013
40. Cash generated from operations		
Surplus (deficit)	19,693,336	(29,184,683)
Adjustments for:		
Depreciation and amortisation	32,572,632	35,982,009
(Loss) gain on sale of assets and liabilities	(1,120,859)	201,609
Impairment deficit	833,792	109,607
Debt impairment	46,350,348	81,963,434
Movements in provisions	1,037,832	919,071
Non-cash movement in assets	-	(14,231,061)
Changes in working capital:		
Inventories	217,935	72,916
Receivables from exchange transactions	(134,839)	22,439,517
Consumer debtors	(70,085,436)	(78,419,815)
Other receivables from non-exchange transactions	942,220	22,699
Payables from exchange transactions	4,667,419	18,814,586
VAT	5,519,005	2,527,659
Unspent conditional grants and receipts	(8,627,855)	9,271,564
Consumer deposits	281,318	380,687
	32,146,848	50,869,799

41. Commitments

Authorised capital expenditure

Tenders Awarded and Contracted

• Construction of roads and stormwater in Heidelberg Ext. 23 & 26.	10,649,000	10,247,577
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Expenditure Financed From

• Municipal Infrastructure Grant	10,649,000	-
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This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

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42. Contingencies

43. Related parties

Relationships

Close family member of key management	None
Joint venture of key management	None
Associate of close family member of key management	None
Members of key management	A Makhanya (Municipal Manager) S Marota (Chief Financial Officer) K Molohlanye (Cooperative Services) I Rampedi (Infrastructure) J Marwa (Development and Planning)

Contingent Liabilities

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Contingent Liabilities (Civil Matters)

	Amount
1. BM Hauliers and logistics- Contravening of the town planning scheme	42,393
2. T.G Maponya- Legal advisor	24,120
3. SAMU on behalf of members	42,279
4. DF Mokoena	12,779
5. Eviction of all illegal structures at sharlimar	20,615
6. Correction of wrongfully allocated stands	7,769
7. Petrenell A Marais - Incorrect billing	24,000
8. Reviewing of the municipal by laws	700,000
	873,955

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44. Prior period errors

During the 2013/14 financial year, the following adjustments were made where amounts were erroneously stated the previous financial periods:

Property, plant and equipment had to be restated due to line items incorrectly classified in the previous year and certain infrastructure assets not included in the previous financial statements, and Community Assets newly identified as well.

Receivable from exchange transactions had to increase due to sundry debtors which were restated as a result of an insurance claim which was raised in the 2012/2013 financial year.

The payables from exchange transaction increased due to retentions which were incorrectly recognized.

Intangible assets increased due to servitudes.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Receivable from exchange transactions	14,023,978	-
Investment property	(146,450,625)	-
Property plant and Equipment	(10,432,007)	-
Intangible Assets	2,620,036	-
Payables from exchange transactions	(2,877,141)	-
	(143,115,759)	-

Statement of Financial Performance

Accumulated Surplus	(143,115,759)	-
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45. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2014	2013
Bank (Absa)	2,940,114	1,999,519
Call Account Investment	5,108,339	12,430,047

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46. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

47. Unauthorised expenditure

Opening Balance	6,221	-
Unauthorised expenditure	-	6,221
	6,221	6,221

Unauthorized expenditure was due to amounts improperly debited against the municipal bank account by the banks and no advice was given to the municipality with regards to the originator.

48. Fruitless and wasteful expenditure

Opening Balance	396,254	88,765
Fruitless and wasteful expenditure	-	280,489
	396,254	369,254

Fruitless and wasteful expenditure consists of penalties and interest on late submission of VAT return in the 2010/11 financial year that were incurred in the 2011/12 financial year.

Fruitless and wasteful expenditure consists of interest on late payment of Eskom accounts and PAYE.

49. Irregular expenditure

Opening balance	10,248,882	7,456,901
Add: Irregular Expenditure - current year	-	2,834,345
Less: Amounts condoned	-	(42,364)
	10,248,882	10,248,882

Analysis of expenditure awaiting condonation per age classification

Current year	-	2,791,981
Prior years	10,248,882	7,456,901
	10,248,882	10,248,882

50. In-kind donations and assistance

The municipality received the following in-kind donations and assistance:

Gauteng Provincial Treasury provided the municipality with the services of a suitably qualified accountant to enhance municipal financial controls (5 months)

51. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	552,393	-
Current year subscription / fee	3,144,273	3,649,206
Amount paid - current year	-	(3,096,813)
	3,696,666	552,393

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Figures in Rand	2014	2013
51. Additional disclosure in terms of Municipal Finance Management Act (continued)		
PAYE and UIF		
Opening balance	-	-
Current year subscription / fee	12,219,778	10,883,100
Amount paid - current year	(12,219,778)	(10,883,100)
-		

Pension and Medical Aid Deductions

Opening balance	-	-
Current year subscription / fee	28,737,781	27,552,043
Amount paid - current year	(28,737,781)	(27,552,043)
-		

VAT

VAT payable	12,151,193	6,632,188
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
SD Mkhwanazi	-	748	748

52. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements.

Seventy six procurements, noted below, were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the adjudication committee and council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

The procurements noted above are:.

Reason	Number	Value
Emergency	31 Companies	327,317
Sole supplier	45 Companies	304,286
Recommended by Council	2 Company	10,547

53. Budget differences

Material differences between budget and actual amounts

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53. Budget differences (continued)

Explanations for variances between budget to actuals:

Statement of Financial Performance

1. Service charges - A combination of theft through illegal connections and consumers cutting back on consumption.
2. Rental of facilities and equipment - Rental tariffs were not reviewed and revised during the year as expected.
3. Licences and permits - Budget correctly conservative so acceptable
4. Recoveries - Insurance recoveries overstated in the budget
5. Interest received - investment - Reduced investment due to cash shortage
6. Government grants & subsidies - MIG roll over due to accident on site and and contractor difficulties advised to National Treasury
7. Fines - Fine provision found to be an error due to land not being Lesedi's
8. Personnel - Budget based on full structure difference caused by vacancies
9. Administration - Underspending due to funds shortage
10. Impairment loss/ Reversal of impairments - Impairment not budgeted
11. Debt impairment - It was anticipated that the credit control policy would be implemented during year.
12. Repairs and maintenance - Reduction of costs in line with cost containment requirements
13. Bulk purchases - Budget was not done in accordance with MFMA Circulars 58 and 59
14. Contracted Services - Reduction of costs in line with cost containment requirements
15. General Expenses - Costs were not contained / controlled as planned.

Statement of Financial Position

16. Receivables from exchange transactions - Insurance debtor transferred to work in progress as the insurer decided to fix the burnt buildings. There was no split on exchange vs non?exchange.
17. Receivables from non?exchange transactions - There was no split on exchange vs non?exchange
18. Consumer debtors - It was anticipated that the credit control policy would be implemented during year.
19. Cash and cash equivalents - Budget was not done in accordance with MFMA Circulars 58 and 59
20. Intangible assets - Error in budget calculation
21. Heritage assets - Transfer of Museum to heritage asset
22. Other financial liabilities - The short term portion of the loan was not accounted for in the budget in error.
23. Payables from exchange transactions - Increased creditors due to cash flow challenges
24. VAT payable - VAT increased due to the portion of creditors as indicated on Payables above. Cash flow challenges.
25. Unspent conditional grants and receipts - MIG roll over due to accident on site and and contractor difficulties advised to National Treasury
26. Provisions - Adjustment to the period and related rates for landfill site

54. Debtors on RDP houses not yet transferred

Reconciliation on RDP housing debtors

Debtors on RDP houses not yet transferred	146,883,483	146,883,483
Impairment on debtors on RDP houses not yet transferred	(146,883,483)	(146,883,483)

55. Unaccounted water and electricity

Distribution loss Amounts

Electricity	21,523,139	30,299,367
Water	9,354,862	6,472,464
	30,878,001	36,771,831

Distribution Loss Percentage

	%	%
Electricity	14	20
Water	22	20
	36	40

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55. Unaccounted water and electricity (continued)

Distribution losses for Electricity is reported after taking into account , own use (R-2,787,634) which is 6% and acceptable network losses 1,442,11 1 which takes up 3%.

Distribution losses for Water is reported after taking into account , own use (R -191,496) which is 1% and acceptable network losses (-576,410.01) which takes up 5 %